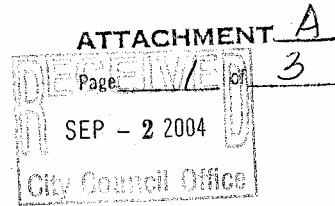


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August 31, 2004

Honorable John Howe, Mayor
Honorable Dean Chu, Vice-mayor
Honorable Julia Miller, Councilmember
Honorable Fred Fowler, Councilmember
Honorable Ron Swegles, Councilmember
Honorable Melinda Hamilton, Councilmember
Honorable Otto Lee, Councilmember

City of Sunnyvale
City Hall
P.O. Box 3707
Sunnyvale, CA 94088-3707

Re: Request for General Plan Amendment for Four Points Sheraton Property

Dear Mr. Mayor and Honorable Council Members:

This office represents Sunnyvale Partners Ltd., which owns the Four Points by Sheraton Sunnyvale located at 1250 Lakeside Drive in Sunnyvale. In conjunction with Kiat Incorporated and The Steinberg Group, Architects we are pleased to submit to you this request for an amendment of the General Plan of the City of Sunnyvale to provide for the development of an exciting mixed use development on the site of the hotel that will incorporate the operation of the hotel with residential living units.

The proposal that we are submitting is to reinvigorate this property to create a mixture of for sale residential housing in combination with an enhanced, full service branded business hotel. The current Four Points by Sheraton Sunnyvale, which is an existing hotel with a low occupancy rate, would become a smaller more efficient hotel which would be paired with a new residential development that will provide for 206 condominium units in three buildings that will be seven stories in height.

The current general plan of the City of Sunnyvale designates the hotel location as part of an industrial designation. The current zoning of the property is M/S.

Our proposal is to change the designation of this property in the General Plan to a Site Specific Planned Zone. A Site Specific Plan will support the High Density Residential and Hotel Commercial in a manner that will allow the zoning that will be required to encompass the project plan.

The following is to provide you with greater detail as to this proposal:

The proposal includes the removal of a portion of the current hotel's guest room structures and replacing those structures with multi family residential housing. The plan is to remove three of the hotel's two and three-story guest room buildings and replacing them with three seven-story condominiums. The total site is 8.63 acres, the new condominium site will be 3.97 acres.

The restaurant, offices and most meeting rooms of the hotel will remain and one of the existing buildings that contains guest rooms will have a story added. The result will be a hotel with 200 rooms. Currently the hotel has a total of 378 rooms. The plan is to remove 233 rooms and add 55 rooms to one of the remaining buildings for a total of 200. Parking will remain on the surface for the hotel.

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The new condominium buildings will contain a total of 206 units in three buildings that will be seven stories in height. The units will be one, two, and three bedrooms with an average size of 650 to 1300 square feet. There will be 320 to 340 parking units below grade, with a small amount of parking (40 to 60) on the surface. There will be 1500 square feet of interior public space including a fitness club. A large amount of open space will be retained on the condominium site, with extensive landscaping, a lap pool, a pond that extends the existing lake area, and an active recreation area.

In our preliminary discussions with the Sunnyvale Planning Department it has been brought to our attention that a known plume (National Semiconductor Corporation ID#CAD041472986) is adjacent to our property at a subterranean level. We have engaged a highly regarded environmental consulting firm to obtain available information and to report to us on this issue. Preliminary information obtained indicates that our project will most likely not be affected. If measures are required to isolate our project from or mitigate the potential effects of this existing plume on our project, you may be assured that we will take the most aggressive approach to implement the necessary measures to ensure the safety of our residents. We will continue this investigation and provide a full report in our Planned Development application that we are certain will satisfy the environmental and safety concerns of all the interested parties.

There are many reasons to support this proposition:

1. Viable hotel services are being retained:

* At a time when many hotels are reducing their services or planning 100% conversion to condominiums, The Four Points by Sheraton Sunnyvale would be reconfiguring existing facilities to maintain the current level of service. In this plan we are preserving the largest ballroom in Sunnyvale which contributes to a total of approximately 14,000 square feet of flexible meeting space. The experienced quality oriented ownership of the hotel will remain.

2. The Transient Occupancy Tax would be retained:

* Because the current occupancy rate is at 50% and the Average Daily Rate is depressed, projected occupancy of a smaller more successful hotel generating a higher Average Daily Rate will result in little change in the Transit Occupancy Tax.

3. The proposed project is compatible with the adjacent uses and building heights:

* The precedent has already been established with neighboring mixed hotel, extended stay facilities and mid-rise housing. The Avalon, a very dense residential project close to the project site, is over fifty feet in height. One block down Lakeside Drive is an extended stay facility that is approximately seventy-five feet. Convention business has been substantially reduced in recent years, while hotel room inventory has increased, diluting demand for hotel rooms and related facilities.

4. The proposed project entails an exciting site plan:

* There is a large percentage of open landscaped area with minimal surface parking and roads, a reduction of over 80% of surface parking to be replaced by a parking facility below grade. There are attractive "green" amenities, including active and passive recreation areas, a jogging path, a full size lap pool a large decorative pool and landscaping that enhances the ambiance at the existing lake. We retain a large percentage of open landscaped area because the three proposed seven story condominiums have a small footprint.

5. The proposed project assists meeting housing goal by adding 200 units of high quality housing:

* The city's goal is one unit of housing for every job in the city. The proposed project offers a large number of units in a relatively compact area, with a good mix of units 1, 2 and 3 bedrooms to accommodate singles, couples, and families.

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6. The site development plan will be sustainable and green:

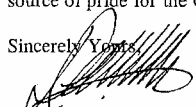
* The project has large amount of open landscaped area. There is minimal surface parking and a greatly increased shade canopy.

7. The project provides for a signature building located in a key area of the City of Sunnyvale:

* The locale of this site is most appropriate for this innovative development. The site is in close proximity to the newly developing Moffett Park, a growing center for jobs that is in great need of housing.

We and the rest of the ownership's design and development team look forward to presenting you with more information and answering any questions you might have regarding this proposal when our representatives meet with you next week. We look forward to your input.

It is critical to have the general plan amended to provide the needed basis for taking the next steps. This will allow the development program to proceed through appropriate zoning revisions of the site to the master planned development permit that will provide for the guidance and structure for developing the final overall project. This then will meet our vision and that of the City for reinvigorating this site with a landmark project that will be a source of pride for the City and its citizens.

Sincerely,


David M. Van Atta, Partner
Hanna & Van Atta

cc: Sunnyvale Partners Ltd.
Millennium Hotels and Resorts
The Steinberg Group